



William J. (Jim) Carroll  
Vice President

Room 4170  
1200 Peachtree St., NE  
Atlanta, GA 30309  
404 810-7262

April 15, 1996

Via Hand Delivery

F. Duane Ackermann  
Vice-Chairman and Chief Operating Officer  
BellSouth Communications, Inc.  
Atlanta, Georgia

Dear Mr. Ackerman:

Pursuant to Section 252 of the Telecommunications Act of 1996, AT&T Corp. ("AT&T") requests the commencement of negotiations for interconnection to enable AT&T to provide competing telecommunications services, including local service, in the State of Louisiana. This request includes all interconnection issues identified in Sections 251 and 252 of the Act, including the prices and terms for interexchange access, the resale of services, and the network elements used for the origination and completion of local exchange and interexchange services traffic.

Interconnection negotiations commenced on March 4, 1996 in the States of Florida, Georgia, North Carolina, and Tennessee. During the initial negotiating meeting held between AT&T and BellSouth on March 11, 1996, our companies agreed that it is appropriate to negotiate the majority of issues on a regional basis and only separately negotiate those issues that vary on a state by state basis. Therefore, it is AT&T's view that the negotiations for the State of Louisiana will become a part of the regional negotiations, recognizing that the official commencement date for the Louisiana negotiations for purposes of Section 252 (b) (1) of the Act is April 15, 1996.

While negotiations are progressing, there are a significant number of issues to resolve. I look forward to a timely resolution.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Jim", written over the typed name.

William J. Carroll

CC: J. Drummond  
C. Coe  
L. Cecil  
R. Shurter

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# **ATTACHMENT 6**

Memorandum to File

Re: June 20, 1996. AT&T and BellSouth Executive Interconnection Negotiations Meeting

Attendees:   AT&T:       W. J. Carroll, Vice President-LSO Southern Region  
                          R. Crafton, Manager-Southern Region  
                          D. M. Eppsteiner, Senior Attorney-L&GA  
                          N. Brown, District Manager (First part only)  
                          M. Guedel, Manager (First part only)

                  BellSouth   W. S. Schaefer, Vice President-Marketing Interconnection  
                                  Services  
                          S. Laven, Lead Negotiator  
                          M. J. Peed, General Attorney  
                          J. Anderson, Cost Analyst (First part only)  
                          J. Hendrix, Pricing Analyst (First part only)

Place:       BellSouth Offices, 675 West Peachtree St., Atlanta, Georgia

This memorandum summarizes the June 20, 1996, meeting between the Executive Teams of BellSouth and AT&T. A copy of the Agenda is attached as Attachment 1.

Jim Carroll opened the meeting by stating that his thought for the first two hours of the meeting was to discuss each company's view of various economic definitions that were being used. He stated that it was not his intent to solve any issues in the cost area, but to gain insight into each company's view.

Scott Schaefer stated that even in BellSouth, different people used different definitions for Long Run Incremental Cost ("LRIC") and Total Service Long Run Incremental Cost ("TSLRIC"). He said he wanted to make sure we were not arguing over something that could be resolved definitionally. He then introduced Jerry Hendrix as BellSouth's Pricing Analyst and Jim Anderson as BellSouth's Cost Analyst.

Mr. Anderson then distributed a one-page document (Attachment 2) of economic definitions accepted by BellSouth. Mr. Anderson explained BellSouth's view of LRIC. He stated that for BellSouth, the LRIC is the price floor for any service offered. Under this definition, he explained, there were no fixed costs. LRIC is forward looking.

Mr. Guedel then asked how BellSouth defined fixed costs. Mr. Anderson stated that BellSouth considered a fixed cost to be a one-time cost that was sunk when spent, as compared to a capital cost which, once spent, developed additional cost streams. Mr. Guedel asked if switches were included in BellSouth's definition of LRIC. Mr. Anderson

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Mr. Crafton then suggested a review of the high points on the matrix (Attachment 3). In the unbundled loop need, AT&T was awaiting a response to the options in its proposal. Ms. Lavett noted that BellSouth had responded to these at the working level. Ms. Lavett, referring to the matrix, stated that options a (provide AT&T with copper facilities) and b (integrated VRT configuration, provide a TR303 interface) are available but that c (allow AT&T to purchase entire DLC system) and d (convert integrated systems to non-integrated) were not. Ms. Lavett stated that BellSouth believed that options a and b met AT&T needs for market entry.

The discussion next considered the Network Interface Device need. Mr. Crafton stated AT&T would agree to ground the loop when a service call was made. Mr. Schaefer noted that BellSouth's position has not changed. Mr. Carroll noted that Option b (AT&T ground loop and certifying it as such on BellSouth certification program) was the correct solution. Mr. Schaefer disagreed.

The discussion next turned to Dedicated Transport. Mr. Crafton asked if BellSouth had any additional thoughts on its position. Ms. Lavett noted that AT&T could purchase transport but BellSouth disagreed with AT&T on the port.

The parties moved to discussion of the five-year reservation on rights of way. Mr. Schaefer explained BellSouth's position was based on its reading of Section 224 of the Telecommunications Act. Mr. Crafton asked if AT&T would have access to all records on a current basis. BellSouth said the records would be available. Mr. Carroll noted that AT&T agreed about the records access, but not on the five-year reservation.

Mr. Carroll then asked Mr. Schaefer about BellSouth's position on AIN. Mr. Carroll noted that at the previous meeting Mr. Schaefer had agreed to revisit the issue of whether Phase III AIN was required by the Act. Mr. Crafton noted that AT&T was seeking unmediated access. Mr. Schaefer said the parties disagreed on what was required by the Act.

Mr. Crafton said that for loop distribution, AT&T did not need this fully unbundled until 1997, although AT&T's position is that loop distribution unbundling is technically feasible. Ms. Lavett stated that BellSouth's position had not changed, that it was not committed to move forward on this, and it does not think it is technically feasible. Mr. Carroll noted that AT&T wanted BellSouth to consider a process to move forward with this. Mr. Schaefer stated BellSouth is working the issue but that there was no target date. Ms. Lavett noted that BellSouth would be hearing from vendors in six weeks. AT&T asked for an update at that time.

Mr. Crafton next provided the Unbundled Network Function Combinations chart (Attachment 4.) He wanted the parties to focus on what elements and combinations were most important to AT&T. Of the twelve combinations, AT&T needed the ability to order eight by November, 1996. Four combinations could be provided later. Following discussion about the document, Ms. Lavett noted that combination 1 looked like resale

and BellSouth did not agree that AT&T should have the ability to recombine elements to replicate resale.

Mr. Carroll said that other than the area where we agree to disagree, he wanted to focus on the service dates across the various combinations and dates where the combinations were doable from an operation and ordering perspective. Mr. Carroll asked if the parties could focus on delivery dates in areas where the parties agree. Ms. Lavett said they could. Mr. Carroll noted that in his view, combinations 1, 3, 5 and 8 were agreeable now, subject to resolution of certain issues. Mr. Schaefer stated Option 1 could be available if operator services/directory assistance was branded BellSouth; Option 3 and 8 are available except where IDLC equipment deployed and combination 5 was available.

The meeting then concluded.

# **ATTACHMENT 7**



BellSouth Telecommunications, Inc.  
Suite 4071  
873 West Peachtree Street, N.E.  
Atlanta, Georgia 30379

404 827-7028  
Fax 404 521-2311

Mark L. Feidler  
President - Interconnection Services

September 12, 1997

William J. Carroll  
Vice President  
AT&T Communications, Inc.  
Room 4170  
1200 Peachtree Street  
Atlanta, Georgia 30309

Re: Your August 29, 1997, letter to Duane Ackerman

Dear Jim:

As committed on September 5, 1997, I am responding to the issues discussed in your August 29, 1997 letter to Duane Ackerman. Let me begin by saying BellSouth is not delaying AT&T's entry into the local market. BellSouth has expended hundreds of millions of dollars on, and has dedicated hundreds of employees to, the sole task of assisting new local service providers such as AT&T in entering the local market. The task, as you admitted in your August 1, 1997 letter, is not without tremendous challenges. Other local providers are entering the local market, investing in their own facilities, and are competing with BellSouth and winning local customers. These local providers are using the systems in which BellSouth has been investing hundreds of millions of dollars and are finding that they allow for real competition. Local competition is here and will continue to grow whether AT&T enters the market now or some time in the future.

Addressing your assertion that there is an "increasing tendency to push downward within BellSouth employee ranks, responsibility for critical issues," given the number and complexity of the implementation issues involved, both companies need to empower employees with expertise and knowledge in many disciplines at many levels to move forward and resolve implementation issues. Our role as members of upper management is to provide policy direction and support to those empowered by us. As an officer of BellSouth, I am involved with determining the policies of BellSouth as well as guiding the essential individuals in my department in the resolution of major issues concerning the implementation of AT&T interconnection agreements as well as the implementation of other agreements BellSouth has executed. BellSouth will continue to devote the time and energy of many highly capable people, and significant capital, to meeting AT&T's demands together with the needs and demands of the hundred plus other new local service providers that have contracted with BellSouth for interconnection services.

BellSouth has stated to AT&T at least three times in writing and numerous times verbally that BellSouth is committed to continuing operational testing of the combined unbundled loops and ports (UNE-P as you refer to it) in Florida and Kentucky and that it has committed the

appropriate personnel to support this process. To date, AT&T has, pursuant to Attachment 4, section 2.2 of the BellSouth /AT&T Interconnection Agreement, identified and described only four combinations, which were received by BellSouth in April of 1997. Rather than responding to BellSouth's written and verbal commitments by identifying any further combinations, or sending additional orders and testing of the systems, AT&T has only continued to "paper the record" with assertions that BellSouth is not committed to testing. BellSouth hereby once again reaffirms that it stands ready, willing and able to test the UNE ordering, provisioning and billing systems. It is only through such testing that the companies can determine and address where the problems, if any, lie. While BellSouth believes it is aware of AT&T's UNE testing requirements for Florida and Kentucky, if AT&T believes that a restatement of those testing requirements is required, then by all means communicate them to BellSouth again.

You further requested that BellSouth confirm certain positions regarding the 8th Circuit Court of Appeal's July 18, 1997 opinion as well as the recently announced FCC decisions regarding both Ameritech's 271 application and Shared Transport. Following are BellSouth's responses to your confirmation requests.

**AT&T's confirmation request:**

**1. BellSouth will provide all combinations of unbundled network elements, including those that BellSouth asserts may replicate existing BellSouth services, at rates based on forward-looking economic costs;**

**2. BellSouth will not separate unbundled network elements requested by AT&T where such elements are currently combined in BellSouth's network. That is, where AT&T orders combinations of UNEs that in the ordinary course are already combined within BellSouth's network, such as the platform being ordered in Florida, BellSouth will provide these elements as combined in BellSouth's network; and**

**3. BellSouth will impose no additional charges above the sum of the rates for all applicable UNEs contained in our interconnection agreements for UNEs that are already combined in BellSouth's network.**

**BellSouth's response:**

The 8th Circuit plainly stated that the Act "unambiguously indicates that the requesting carriers will combine the unbundled network elements themselves." Therefore, there is no legal duty on the part of BellSouth to provide combined network elements to AT&T. BellSouth will provide to AT&T, at the rates established by the various state commissions, the individual network elements delineated in the AT&T/BellSouth Interconnection Agreement, and AT&T may combine the ordered elements in any fashion it chooses. Further, consistent with the 8th Circuit's ruling, if it is AT&T's plan to utilize all BellSouth network elements to provide finished telephone service, AT&T may purchase all of the individual unbundled network elements needed to provide finished telephone service, but AT&T must combine the necessary elements. The 8th Circuit ruling clearly finds, however, that BellSouth, as an ILEC, has no obligation to do so. The 8th Circuit expressly stated in upholding the FCC's rule that "[our] ruling finding that [the Act] does not require an incumbent LEC to combine the elements for a requesting carrier establishes that requesting carriers will in fact be receiving the elements on an unbundled basis." Thus, the only meaning that can now be given to FCC Rule S1.315(b) is that an



incumbent LEC may not further unbundle a network element to be purchased by another local provider unless explicitly requested to do so by that provider. The rule cannot be read as requiring ILEC's to deliver combinations to providers such as AT&T. BellSouth, however, is examining the viability of providing various combinations of UNEs as a service to its interconnection customers. Such service offerings would have prices that reflect the 8th Circuit's finding that the use of unbundled network elements involves greater risk to the other provider than does resale.

BellSouth nonetheless recognizes that the interconnection agreements that have been executed thus far obligate BellSouth to accept and provision UNE combination orders. Thus, until the 8th Circuit's opinion becomes "final and non-appealable," BellSouth will abide by the terms of those interconnection agreements as BellSouth expects AT&T will. Accordingly, assuming execution of the Alabama agreement, BellSouth will accept orders for and provision the four UNE combinations identified and described by AT&T pursuant to Attachment 4, section 2.2 of the Agreements. In all states except Kentucky (Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina and Tennessee), when AT&T orders a combination of network elements or orders individual network elements that, when combined, duplicate a retail service provided by BellSouth, BellSouth will treat, for purposes of billing and provisioning, that order as one for resale. In Kentucky, when AT&T orders a combination of network elements or orders individual network elements that when combined duplicate a retail service provided by BellSouth, BellSouth will treat the order for purposes of billing and provisioning, as one for unbundled network elements. In all states, when AT&T fulfills its obligation under Attachment 4, section 2.2 and identifies combinations of unbundled network elements that, when combined do not duplicate a retail service, BellSouth will accept and provision that order as one for unbundled network elements priced at the individual network element rates. In Alabama, where BellSouth and AT&T have not yet executed an interconnection agreement, BellSouth is willing, until the 8th Circuit's opinion becomes final, to execute an interconnection agreement that reflects the terms described above. That agreement would be subject to modification as discussed below. This interim accommodation is consistent with what BellSouth and AT&T have done in other states. I understand that such an interconnection agreement has been proposed and I will instruct Jerry Hendrix to execute that agreement after he has had a opportunity to fully review the agreement.

Immediately upon the 8th Circuit's opinion becoming final, BellSouth expects, pursuant to section 9.3 of the General Terms and Conditions of the Interconnection Agreement, that the interconnection agreements will be modified to remove all references to BellSouth's obligation to combine unbundled network elements for AT&T and to otherwise reflect the Court's decision. If following these modifications, AT&T believes that, rather than directly meeting its obligation under the Act to do the combining of any BellSouth UNEs, it would prefer to have BellSouth perform services related to combining and/or operating and maintaining combined elements, BellSouth, as stated above, would consider such a request and be prepared to enter into negotiations regarding appropriate terms and conditions.

#### **4. Florida UNE Testing - Billing**

Concerning the billing received by AT&T in the Florida testing, I offer the following corrections and clarifications. For the UNE-P orders involved with this test, the following elements may be billed in the CRIS billing system:

## **CRIS**

Unbundled Local Switching - Line Port (ULS-LP) (NRC + Monthly recurring)  
Unbundled Local Switching - Switching Functionality (ULS-SF) (per MOU)  
Unbundled Local Switching - Trunk Port (ULS-TP) (per MOU)  
Unbundled Tandem Switching - Switching Functionality (UTS-SF) (per MOU)  
Unbundled Tandem Switching - Trunk Port (UTS-TP) (per MOU)  
Unbundled Interoffice Transport - Shared (UIT-S) (per MOU and per MOU-mile)  
Operator and DA elements (have not been implemented for this testing timeframe)

As of August 14, 1997, BellSouth has the capability to bill the MOU based switching and transport elements for all local direct dialed calls originating from ULS-LPs (or in this case UNE-Ps). In your list, you also included Unbundled Interoffice Transport - Dedicated (UIT-D), Unbundled Packet Switching (UPS), AIN, LIDB, SS7 Signaling, 800 Database, Directory Access to DA Service, Directory Assistance Transport and Directory Assistance Database Service. These elements are not applicable for the scenarios that you have requested to be tested in Florida and Kentucky.

You also stated that AT&T has yet to receive the daily usage recordings that BellSouth agreed to transmit during the Florida test. As issues regarding daily usage recording were encountered, they were addressed by BellSouth and corrective actions were taken. Further testing was limited due to the lack of actual usage found on the four accounts. The Jan Burras/Pam Nelson team that meets regularly to discuss and resolve issues recently agreed that the testing team should formalize the usage recording testing. The team agreed to implement a logging system so that the users would record their various calls, time of day, type of call, duration, etc., and provide the log to BellSouth so that BellSouth could follow the call through its systems.

In connection with the UNE concept test, BellSouth is not currently sending AT&T access records associated with UNEs. Pursuant to the law at the time, BellSouth's position had been that BellSouth should continue to bill access to the IXC and that transmitting records was therefore not required. Subsequent rulings now appear to support the need for BellSouth, in instances where the use of unbundled network elements is not duplicating an existing BellSouth service, to send records in order for the local provider to bill the IXC interstate access. Given these changes, BellSouth concurs that BellSouth and AT&T need to come to an agreement of the formatting of these access records. In addition, BellSouth and AT&T need to work through industry fora to reach agreement on standards for record exchange and meet point billing.

BellSouth does not agree with your assessment of BellSouth's participation on Call Flow discussions. BellSouth met with your representatives in May of 1997, and participated on a conference call in June of 1997 in an attempt to reach agreement. However, due to key differences in the underlying positions of the companies, the representatives were not able to reach agreement except for those call flows for intraswitch local calls. BellSouth, as always, stands ready to meet with AT&T to further discuss call flows and it is my understanding that such a meeting has been scheduled.

I trust that this answers any question you may have had. BellSouth, as it has consistently done in the past, is prepared to discuss all issues that AT&T may raise. To the extent you have any

further questions or comments regarding BellSouth's policies or major issues regarding implementation of the AT&T/BellSouth interconnection agreement, please direct them to me.

Regards,

*M. L. Felder*

Mark Felder

**ATTACHMENT 8**

Received 5/20/96 VIA MAIL

May 16, 1996

RECEIVED  
VIA FAX

William J. Carroll  
Room 4170  
1200 Peachtree Street, N.E.  
Atlanta, Georgia 30309

Dear Jim:

The purpose of this letter is to respond to your three letters to Duane Ackerman, of May 6, 1996 and your letter of May 7, 1996 addressed to me.

May 6, 1996 letters to Duane Ackerman regarding Alabama and Kentucky—BellSouth is pleased that AT&T has elected to begin interconnection, unbundling and resale negotiations for the states of Alabama and Kentucky. BellSouth will now consider these states as a part of the ongoing negotiations between our two companies and will recognize May 6, 1996 as the official date for both states. If this is not the case, please let me know.

Secondly, BellSouth suggests that the two companies go ahead and include the rest of the BellSouth states in the negotiations. If this proposal is acceptable to you, BellSouth will consider the official commencement date for negotiations to be the date of your written acceptance of this proposal.

May 6, 1996 letter to Duane Ackerman regarding operational interfaces and May 7, 1996 to me regarding same—BellSouth maintains that the PC to PC fax interface initially proposed meets the letter and spirit of the Telecommunications Act of 1996 as to interface requirements between the incumbent local exchange carrier and other local exchange carriers. Further, the fax interface is immediately available thus facilitating AT&T's immediate entry into the local exchange reseller market.

Nonetheless, BellSouth has been willing to go further than the requirements of the law through its consideration and offer to provide an electronic interface system for service order transfer and confirmation. It is our expectation that representatives from BellSouth and AT&T will soon be able to agree on the specific requirements for this system.

In addition to the above-mentioned EDI development, BellSouth has continued to explore options for addressing AT&T requests and has taken the following steps:

- (1) BellSouth has developed an initial view of pre-ordering electronic interfaces including electronic access to: RSAG - End office (CLLI) NPA-NXX information, PSIMS - Feature and function availability, ATLAS - Telephone number assignment, DSAP - Due date scheduling.
- (2) BellSouth has developed an initial view of the work necessary to complete service orders to AT&T via an EDI interface.
- (3) BellSouth will consider authorizing the design phase to begin on both the abovementioned items pending acceptance by AT&T of the terms outlined in the following paragraphs.

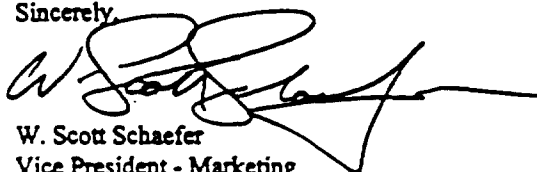
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BellSouth has two mechanisms for recovering the costs of this additional and discretionary work. The costs of the development of the systems can be netted against the discount offered to resellers for the purchase of BellSouth's retail telecommunications services or the cost can be recovered through non-recurring charges.

At present, AT&T is the only reseller to request that the interface between BellSouth and itself be through electronic systems. Further, in your May 1, 1996 letter, you specifically rejected BellSouth's proposal to net the costs of the development of electronic interface from the discount offered to resellers by BellSouth. BellSouth was surprised by AT&T's reaction to the "netting" concept due to earlier informal indications from AT&T that this method would be worthy of serious consideration and because this approach would spread the costs across resellers utilizing the BellSouth network. As discussed in our meeting of May 14, BellSouth is requesting AT&T put forth a proposal for BellSouth's recovery of these costs that would be acceptable to both parties.

I look forward to our regularly scheduled meetings regarding the negotiations.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Scott Schaefer", is written over a horizontal line.

W. Scott Schaefer  
Vice President - Marketing  
InterConnection Services

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